

Ministry of Finance

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Mr. Olli Rehn
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**Financial and Economic
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Our reference
AFEP 2013 345

Your letter / Your reference

Date
Subject Additional budget agreement 2014

Encl.
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Dear Mr. Rehn,

Please find enclosed an English translation of the additional budget agreement 2014 of the Netherlands. On Friday 11 October, the coalition parties together with a number of opposition parties (D66, ChristenUnie and SGP) reached this agreement. Together they constitute a majority in both chambers of parliament. The agreement facilitates the realisation of the common ambitions for economic growth and employment, sound public finances and a balanced income distribution.

The agreement presents a number of amendments to the Budget Memorandum 2014, which was included in the earlier reports to the European Commission, i.e. the Draft Budgetary Plan, the Effective Action Report and Economic Partnership Programme. Most notably, the agreement contains higher expenditure cutbacks and lower tax increases. At the same time environmental taxes are increased, enabling a reduction of the burden of income taxes and social contributions on labour. The agreement also includes higher spending on education and innovations, while a number of labour market measures will be adjusted and accelerated to strengthen its impact on a well-functioning labour market. Social partners have informed us that they support the adjustments and accelerations.

With broader political support, the Netherlands reconfirms its commitment to a substantial structural consolidation package of 6 billion euro (1 percent of GDP). The government is convinced that, in the light of the current economic situation, the 6 billion euro package is an effective and correct implementation of the recommendations within the framework of the excessive deficit procedure.

An analysis of the Netherlands Bureau for Economic Policy Analysis (CPB) indicates a very limited impact on the macroeconomic figures in the medium term. Hence, the macroeconomic scenario as presented in the 2014 Draft Budgetary Plan still contains the most comprehensive and up to date forecast for the Dutch economy.

Yours sincerely,

Jeroen Dijsselbloem
Minister of Finance of the Netherlands

Addendum table 5a Draft Budgetary Plan

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Table 1: Discretionary measures taken by General Government							
% GDP	Target (Expenditure /Revenue component)	Adoption Status					
			ESA Code	2013	2014	2015	2016
				Measures			
Health care							
Healthcare Agreement	D.63p		0,0	0,0	-0,1	-0,1	
Reversal of transfer of health conditions with low impact to supplementary insurance	D.63p		0,0	0,0	0,2	0,2	
Healthcare benefit based on average healthcare contributions, including group contracts	D.62p		0,0	-0,1	-0,1	0,0	
Medicines	D.62p		0,0	-0,1	-0,2	-0,2	
Limitation of the special facility (for chronically ill)	D.62p		0,0	0,0	-0,1	-0,1	
Miscellaneous	D.63p		0,0	0,0	-0,1	-0,1	
Social security							
Phased introduction of household benefit	D.62p		0,0	0,0	-0,1	-0,2	
General child benefit (differentiation of benefits by child's age is maintained)	D.62p		0,0	0,0	0,0	0,1	
Miscellaneous	Several		0,0	0,0	-0,1	-0,1	
Central government budget							
Reduction in scope for salary increases in public sector in 2014, excl. health care (increasing salaries at expense of fringe benefits)	D.1p		0,0	-0,1	-0,1	-0,1	
Price adjustment 2013 (adjusted for net general changes)	Several		0,0	-0,1	-0,1	-0,1	
Price adjustment 2014	Several		0,0	-0,1	-0,1	-0,1	
Education quality (and innovation)	Several		0,1	0,0	0,1	0,1	
Miscellaneous	Several		0,0	0,0	0,0	0,0	
Taxes and contributions							
Fiscal advantage when full entitlement of annuities is redeemed in 2014	D.5r		0,0	-0,2	0,0	0,0	
Reduction income tax rate box 2	D.5r (households)		0,0	-0,2	0,0	0,0	
Abolition of fiscal advantage for new rights annuities	D.5r		0,0	-0,1	-0,1	-0,1	
Freezing tax brackets and tax credits and cancellation of the general levy rebate phase out for incomes falling in the top bracket	D.5r (households)		0,0	-0,2	-0,1	-0,1	
Retention of business-related revenue envelopes	Several		0,0	-0,1	-0,1	-0,1	
Extension of employer's levy on high incomes (crisis levy)	D.29r (corporations)		0,0	-0,1	0,0	0,0	
Earlier increase in employed person's tax credit	D.5r (households)		0,0	0,1	0,0	0,0	
Cancelling cutbacks on the self-employed person's tax reduction	D.5r (households)		0,0	0,0	0,1	0,1	
Abolition of VAT integration levy and reduced VAT rate on the rebuilding, renovation and repair of owner-occupied dwellings (including the expenses of architects and gardeners)	D.21r		0,0	0,1	0,0	0,0	
The Chronically Ill and Disabled Persons Allowances (including the 'Compensation of specific health care expenses Act')	D.5r (households)		0,0	0,0	0,1	0,1	
Cancellation of income-related excess and phasing out of general tax credit	Several		0,0	0,0	-0,1	-0,1	
Tax and contributions reduction for businesses	D.611r		0,2	0,1	0,1	0,1	
Reduction of the tax rate of the first bracket	D.5r (households)		0,0	0,2	0,0	0,0	
Miscellaneous	Several		0,0	0,0	-0,1	-0,1	
Energy Agreement							
Measures Energy Agreements	Several		0,0	0,0	0,0	0,0	
Other							
Spending shifts involving development cooperation revolving fund, nature management and security	Several		0,0	0,0	0,0	0,0	
Ex ante impact of Municipalities Fund/Provinces Fund	Several		0,0	-0,1	-0,1	0,0	
TOTAL			0,4	-1,0	-1,0	-0,9	

Note: the table shows the consolidation package as presented in the 2014 draft budgetary plan (table 5a), including the adjustments stemming from the additional budget agreement 2014 (of 11 October 2013).